

LYNCHBURG REGIONAL AIRPORT

COMMISSION MEMBER UPDATE

Wednesday, August 24, 2016

REPORT

JET SERVICE RETURNS TO THE AMERICAN FLIGHT SCHEDULE AT LYH

Beginning September 7, 2016, LYH will see the return of three jet departures to Charlotte daily. The three departures will replace existing Dash 8-300 turbo-prop service, and include a 63-seat CRJ-700 with a first class cabin for one of the roundtrips. American Airlines officials I met with at JumpStart in June had indicated we would be seeing the upgraded service starting in the fall, and we're pleased that it has become a reality.

The upgraded equipment, along with some added frequencies, will result in an 11 percent increase in daily departure seats in September, for a total of 8,376 departure seats. Meanwhile, the total number of daily departures to Charlotte most days will continue at six. Unfortunately, the October schedule will see a temporary reduction of the two 50-seat regional jets, although the 63-seat CRJ-700 will remain. The current November flight schedule shows a return to three jet departures daily, with the intent to maintain a schedule split evenly between jets and 50-seat Dash 8-300's on a more permanent basis.

While we applaud the upgraded jet service, the bad news is that American's regional affiliate, Piedmont, has once again been experiencing an inordinate number of delays and cancellations. Piedmont continues to struggle with its gradual transition to more regional jet equipment that has created a shortage of Dash-8 pilots, which is further aggravated by the ongoing pilot shortage in general. Add in the age of the Dash-8 aircraft and the increasing maintenance downtime, and it's easy to see how challenging the situation has become. Needless to say, for us September 7th can't come soon enough. I'll provide a more detailed account of the situation as part of my report to the Commission next Monday.

PASSENGER TRAFFIC INCREASES SLIGHTLY IN JULY

Despite the ongoing reliability issues we have been facing this summer due to weather, maintenance and the pilot shortage, LYH passenger boardings were up slightly in July. The .9 percent increase recorded for the month was partly due to fewer cancellations, combined with an increase in actual departures compared to last July. In all, the airport handled a total of 12,744 passengers with an average load factor of 76.9 percent. That compares to a 79.1 percent load factor for the same month last year. For the year-to-date period, LYH remains relatively flat over 2015, with boardings up 1.5 percent.

LYH AWARDED ALMOST \$1.2 MILLION IN STATE ENTITLEMENT FUNDS

I'm pleased to report that Lynchburg Regional Airport has been awarded some \$1,164,973 in state entitlement grant funds for FY 2017. These funds are made possible through a 2.4 percent allotment from state taxes assessed on motor vehicles and distributed to air carrier airports through the Commonwealth Airport Fund (CAF) based on an enplaned passenger formula. Use of these funds is limited to eligible airport capital and maintenance projects. This is the second year LYH has received such a large amount, with our FY 2016 entitlement award representing the highest amount of these funds in the history of the program.

CONSTRUCTION ON NEW ATCT CONTINUES TO MAKE PROGRESS

Although the new air traffic control tower project is slightly behind schedule due to an unforeseen delivery delay of the thin bricks and blocks that will adorn the exterior concrete panels, I still expect that construction will be completed by the end of the year. The poured concrete wall and floor panels have been completed on site and, once cured, will be hoisted into place by crane. That process should start by the end of the month, followed by the steel cab infrastructure being hoisted into place atop the concrete structure.

Once construction is completed and Campbell County issues a Certificate of Occupancy, the FAA will then move forward with relocating the various navigational and communications equipment in order to get the new tower operational. With that process expected to take approximately two months, we are planning on having the tower commissioned and in operation by the spring. The old tower and building should be demolished sometime within that outfitting timeframe.

NEW PFC APPLICATION TO BE SUBMITTED SHORTLY

As reported in the March *Update*, a key element of the funding for the new air traffic control tower is the submission of a second Passenger Facility Charge (PFC) application to the FAA in order to supplement our other two sources of grant funds. Tower funding has been programmed to be provided through a combination of federal, state and PFC funding, with the PFC portion accounting for upwards of \$1 million, depending upon how much of our FY 2017 state entitlement funds we want to commit to the project. In addition to the necessary PFC funding for the ATCT, we are also including the 20 percent local state entitlement match to the PFC in order to fund a new multi-purpose snow removal truck and upgraded airfield lighting (LED) equipment.

AGENDA FOR THE COMMISSION MEETING

As you will recall, the Commission requested at its January meeting that I ask Dave Young of Freedom Aviation to make a presentation to the Commission at its March meeting in order to provide a briefing on Freedom Aviation's and the Liberty School of Aeronautics' five-year or similar long-range plan, current strategic plan, etc. Dave then asked that it be delayed due to his being out of town attending the annual Sun 'n Fun event in Florida. Although he was rescheduled for the June 20th meeting of the Commission, you may remember that he requested that it be delayed until the August meeting at which time he felt they would have more to share. Accordingly, Dave has now indicated that he will be available for next week's meeting, and I have placed his presentation on the agenda.

Dave's presentation will be followed by a brief airport director's report that will include an update on airline reliability issues and further discussion of our new jet service and efforts towards future prospects. In the meantime, if you have any questions or would like to discuss any airport issues, please feel free to contact me at 455-6089.

Respectfully yours,

Mark F. Courtney

Mark F. Courtney, A.A.E.
Airport Director

LYNCHBURG REGIONAL AIRPORT COMMISSION

Monday, August 29, 2016

4:00 p.m.

AGENDA FOR THE COMMISSION

1. Call to Order

CONSENT AGENDA

2. June 20, 2016 Commission Meeting Minutes
3. Lynchburg Regional Airport September 2016 Air Service Update
4. July 2016 Passenger Traffic Report

Consent Agenda Recommended Action: Receive and File

REGULAR AGENDA

5. A presentation by the president of Freedom Aviation at the request of the Airport Commission regarding Freedom Aviation's and the Liberty School of Aeronautics' five-year or similar long-range plans, current strategic plans and related future aeronautical activity at LYH and elsewhere.
6. Report of the Airport Director
 - A. LYH air service update and report on delays/cancellations affecting Piedmont Airline's flight operations out of LYH
 - B. An update regarding construction of LYH's new air traffic control tower
7. Miscellaneous business
 - A. Inquiries and/or comments by Commission Members
8. Reports of airport businesses
9. Hearings of citizens upon Commission matters
10. Adjournment

**MINUTES OF
THE
LYNCHBURG REGIONAL AIRPORT COMMISSION MEETING
Monday June 20, 2016
4:00 p.m.**

PRESENT:

Stuart Hobbs
Kimball Payne
Mike Davidson
Lynch Christian
Debra Allen

ABSENT:

Bert Dodson
Robert Day
Charles Nowlin

STAFF PRESENT:

Mark Courtney, Airport Director
Rick Stein, Deputy Airport Director
Wes Campbell, Airport Finance Director

(1) CALL TO ORDER:

The meeting was called to order at 4:00 p.m.

(2) APPROVAL OF JUNE 20, 2016 CONSENT AGENDA

Mr. Stewart Hobbs presented Mr. Kimball Payne with a resolution in appreciation for his service on the Lynchburg Regional Airport Commission. He read part of the resolution and wished Mr. Payne well in his future endeavors on behalf of the Commission.

Mr. Courtney presented Mr. Payne with a framed picture of the Blue Angels with the passenger terminal in the background. He read aloud the brass plate acknowledging Mr. Payne's service to the city and to the commission. Mr. Payne thanked the group.

Mr. Hobbs confirmed that everyone had received the items from the consent agenda; the April 4, 2016 Commission Meeting Minutes, the June 2016 Air Service Update and the April 2016 Passenger Traffic Report and asked if there were any questions, comments or changes regarding the consent agenda items.

Mr. Hobbs asked if there were any questions or concerns or changes on the Consent Agenda.

There being none, Mr. Hobbs said the consent agenda was adopted as presented to receive and file.

(3) REPORT OF THE LYNCHBURG REGIONAL AIRSHOW PRESIDENT REGARDING THE RECENTLY COMPLETED 2016 LYNCHBURG REGIONAL AIRSHOW

Mr. Dave Young said he did not know how many Commission Members had been able to attend the airshow but overall it was a success. He said he was very pleased with the overall show and the performers. He said he believed the veterans were appreciative of being honored. He said 28 young people enlisted into the Air Force at the airshow.

Mr. Young said the outreach to the students with air show activities, as well as the Blue Angels' and Melvin Leland's visit to the E.C. Glass, was very well received.

He said the weather impacted the airshow somewhat. He said although the jumpers and the missing man formation could not perform on Saturday, they were able to do so on Sunday. He said that the weather affected ticket sales since people were making their decision about whether or not to attend the show as late as the Thursday, Friday, Saturday, and Sunday before the show.

Mr. Young discussed the changes in the show site and that the Air Boss, the announcer, the Blue Angels, and the various performers remarked that we have a unique site that does not exist anywhere else in the country. Mr. Young went on to further detail and discuss the airshow.

Mr. Hobbs asked when they were going to do it again and Mr. Young replied that he did not know but they would meet with their Board of Directors to discuss this. There followed a general discussion.

Mr. Kim Payne offered his congratulations for the airshow's success and apologized that his attendance at the airshow was trumped by the birth of his granddaughter. Mr. Payne said he did not think the airport staff got enough credit for all they did in the background that directly contributed to the airshow's success. He said he did not know of another airshow that is conducted on a commercial airfield and that it took an enormous amount of coordination and he wanted to personally thank Mr. Courtney for all that he, and Mr. Stein, and the rest of the airport staff did. They laid the groundwork for the airshow to be successful.

Mr. Young replied that it was a team effort and Mr. Courtney and his staff were part of the team and there were some challenges that were faced and they spent a lot of time looking at airport maps to try and figure out what we were going to do.

(4) REPORT OF THE AIRPORT DIRECTOR

Mr. Mark Courtney said he had three agenda items which were mainly updates. He said overall things were going very well but the main challenge was to keep things continuing to go well. He said that, like Mr. Young, he was glad the airshow was over because even in the midst of planning an airshow, there were still 930 airport acres as well as the airfield to maintain. He said that while it was challenging, the most important thing was that we got through the airshow safely. There ensued additional discussion.

A. LYH air service update and report on the outcome of airline meetings at the June 14-15, 2016 Airports Council International's annual JumpStart airline planners' conference

Mr. Courtney said he had been going to the Airports Council International's annual JumpStart meeting for a number of years. He said he did not go last year but instead attended the Routes Program which is put on by a different organization. Routes is more internationally focused, and occasionally will host the meetings in the U.S.

He said JumpStart had a good program this year. He said besides his formal meetings with the airlines, he also had plenty of opportunities to network with the airlines, other airports and various concessionaires that are involved with providing support for air service development at airports.

Mr. Courtney showed the Commission the presentation he gave to the airlines at JumpStart. He said that although we have continued to maintain six daily departures on American to the Charlotte hub with six Dash-8 300's, because of contractual reasons with another regional carrier, last month American Airlines had to take two seats out of the 50-seat Dash 8's. They physically removed the two seats from the equipment, which resulted in a loss of 24 total arrival/departure seats a day. He said that American recognized this loss and decided to replace one of our Dash 8's flights with the CRJ-700 model, a stretch jet with 63 seats, nine of which are first class seats and the rest coach, which is a nice upgrade.

He said Piedmont continues to have its challenges with maintenance, the pilot shortage and crew availability. He then said the good news out of all of this is that he had a very positive meeting with American at Jumpstart. He said the focus of the meeting was on upgrading from the Dash-8s to more

regional jets. The Dash 8's have gotten old, which is part of the reason they are having so many maintenance issues with them. The CRJ's, particularly the 700, are much newer aircraft.

Mr. Hobbs asked if newer Dash 8s were available, and Mr. Courtney responded that the Q400 is newer, but is a 70-seater, and AA doesn't operate any Q400s. New ones are very expensive to acquire and they do not fit the economics of the regional market. He went on to further explain and discuss the issue.

He said the Network Planning Department staff that he met with confirmed that this CRJ-700 was going to stay in the schedule but their intent is to gradually upgrade our Dash-8 fleet to more of the jets. Next year, we should expect more of the CR7 and the 50-seat CRJ, which is good news. He said he was going to start promoting not only the return of Jet service but also the larger Jet.

Mr. Courtney gave an overview of our on-time statistics. In the month of April we were 88% on time with a 2.9% cancellation rate, with most of the cancellations due to maintenance. About half the departure delays were due to maintenance, and half due to crew issues. American staff said that Piedmont is now reducing some of their schedules because they are going to put more aircraft in maintenance to try to keep more reliable aircraft flying.

Someone asked if Piedmont operates the Dash-8's, and Mr. Courtney responded that they do. He then said that PSA, operator of the CRJs, does not have as many crew issues as Piedmont does.

He explained for the month of May our on-time performance was 88% but cancellations rose to 6.6%, the equivalent of about 12 cancellations for the month, with the reasons again being crew issues, weather and maintenance, and that maintenance was actually a little lower in May.

He discussed the passenger projection of around 159,000 passengers this year, pointing out that our year-to-date passenger totals were up 2.5%. He said when you are running around 80% historical load factors on an annual average throughout the year it is difficult to increase them when you are limited to just 300 daily departure seats. He said that in his discussions with American, he reiterated that even if we end up seeing some reduced frequency we could live with that as long as it is better equipment and we maintain the number of seats.

Mr. Courtney said load factors are holding up at around the 80% mark. There ensued a general discussion.

Mr. Courtney said he did meet with ultra-low cost carrier Allegiant Airlines which concentrates on leisure service to Florida markets, mainly Orlando. They verified that they have not been adding any smaller markets in the past year because of opportunities that have been presented within medium sized cities such as Cincinnati and Memphis. They said that because of retirements of their old MD 80 aircraft they are going to be short two airplanes next year so they are not even going to be considering any new markets in smaller cities until 2018 when they will be getting delivery of new Airbus 319s and 320s.

B. A report in regards to the \$50 million incentive package contained in the Governor's 2017-18 Commonwealth Budget to improve airline service at Washington Dulles, and the resulting United Airlines service opportunity at LYH that is possible as a result

Mr. Courtney explained that the governor's budget included a total of \$50 million, \$25 million this next fiscal year and \$25 million in the following year, for the Metropolitan Washington Airports Authority specifically to reduce the airline cost per enplanement at Washington/Dulles. He said the usual metric for an airport is how much it costs per enplaned passenger to operate at an airport. He said ours runs around \$4 - \$5 per enplaned passenger, which is good; however, Dulles runs at around \$27 per enplaned passenger, which is high. This has really hurt United's interest in expanding.

One of the recommendations that came out of the statewide study that was undertaken by InterVistas, Bill Swellbar and the commercial air service review throughout the state, was to provide some type of financial incentives to reduce the costs of operating at Dulles since Washington/Dulles is the only hub airport in the Commonwealth. He said so many of the airports either have inferior United service, like Roanoke or no service like Newport News and Lynchburg.

He said this resonated with the governor and with the Secretary of Transportation; that by helping Dulles, that could in turn help the other airports to get service to Dulles, and increase domestic hub and international opportunities at Dulles. This perhaps would incentivize United to return service to more Virginia airports.

Mr. Courtney said he met with one of the senior analysts with United while he was at JumpStart and he rode back on the bus with the Managing Director for United Planning after one of the evening events. He said he was able to explain what is happening in the State of Virginia and the opportunities that should exist. Mr. Courtney said they indicated that any changes in the Dulles hub as far as adding service would probably occur sometime in the fall or the end of the year but most certainly in the next year.

Mr. Courtney has been in discussions with the Director at Newport News Airport about meeting with the Secretary of Transportation, and Newport News is not anxious to meet right away. Mr. Courtney said that when the Secretary of Transportation was in Lynchburg, he had expressed interest in meeting sooner than later. Mr. Courtney told the Secretary that he would be glad to try and set up a meeting.

There followed a general discussion.

C. An update regarding the start of construction of LYH's new air traffic control tower

Mr. Courtney reported that the tower's foundation, basement walls and elevator pit are in.

Mr. Courtney described the construction process with regard to the panels and brick. He said the walls should start to go up about the 1st or 2nd week in August and then things will progress quickly. He said this is an expensive project. Including the site study, the environmental, the design through bid, the construction administrative services, and the reimbursement agreement for the FAA installing the equipment, it works out to be around \$1,468 a square foot. There ensued additional discussion.

He pointed out that Mr. Campbell was putting together all of our financial numbers for the end of the year, and we have had a profitable year, particularly with the revenue from the rental cars and the parking lot. He said we will finish this year with about \$1.1 million in revenues from those two sources, which combined far exceeds any of the other sources of revenue at the airport. We anticipate finishing the year with a surplus of approximately \$150,000.

Mr. Hobbs asked what we do with that sort of money.

Mr. Courtney responded that it goes into retained earnings. He said we have a tenant that is interested in building a new hangar, and he would like to use as much of our retained earnings as possible to reduce the amount we would have to go into debt so that we can maximize the amount of positive cash flow.

(5) MISCELLANEOUS BUSINESS

A. Inquiries and/or comments by Commission Members.

There were none.

(6) REPORTS OF AIRPORT BUSINESSES

Mr. Hobbs asked if there were any reports of airport businesses. There were none.

(7) HEARINGS OF CITIZENS UPON COMMISSION MATTERS

Mr. Hobbs asked if there were any questions or comments from the citizens present. There were none.

(8) ADJOURNMENT

There being no further business, the meeting was adjourned.

Lynchburg Regional Airport Commission

Effective August 2016

AIR SERVICE UPDATE

Summary

The number of daily departure seats on Saturday is 240; there are 288 daily departure seats all other days. The daily departure frequency is six every day except Saturday which has five departures. Starting August 23, there will be 303 departure seats weekdays.

Carrier Profile	<u>Airline</u>	<u>Destination</u>	<u>Departures</u>	<u>Seats</u>	<u>Equipment</u>
	American Airlines	Charlotte	6 / 5	288 / 240	DH3
AIRPORT TOTAL:			6 / 5	288 / 240	

American Airlines

During the month of August, there were six departures on weekdays and Sundays and five on Saturdays. Effective June 3, 2016, the seat count for the DH3s changed from 50 to 48 as two seats were removed from this equipment. All flights August 1 through August 22 were 48-seat DH3s. Starting August 23, one of the six flights was upgraded to a 63-seat CR7. Effective September 7, two of the six flights will be CRJs and one flight will be a CR7. There will be four flights on Saturdays in September, with two of them being CRJs most Saturdays.

Destinations Served	<u>Non-Stop</u>	<u>Departures</u>	<u>Total</u>
Charlotte		6	6 (Su, M, T, W, Th, F)
Charlotte		5	5 (Sa)

Aircraft Types

<u>Aircraft</u>		<u>No. of Departures/Day</u>
DH8	Dash 8-100	0
DH3	Dash 8-300	6; 5 (eff. 8/23)
CRJ	CRJ-200	0
CR7	CRJ-700	1 (eff. 8/23)

LYNCHBURG REGIONAL AIRPORT AIR TRAFFIC REPORT FOR JULY 2016

	MONTH			YEAR TO DATE TOTALS			PERCENTAGE CHANGES		
	Jul-16	Jun-16	Jul-15	2016	2015	Jul-16	Jun-16	Jul-15	16 YTD
AIRLINE PASSENGERS (REVENUE ONLY)									
ENPLANED									
US Airways - Piedmont	6,241	6,129	6,335	43,901	41,947	1.8%	#DIV/0!	-1.5%	4.7%
US Airways - Air Wisconsin		-	-	-	-			#DIV/0!	#DIV/0!
US Airways - PSA	152	-	-	152	1,439	#REF!	#REF!		-89.4%
Charter	-	-	-	-	-				
TOTAL ENPLANED	6,393	6,129	6,335	44,053	43,386	4.3%		0.9%	1.5%
DEPLANED									
US Airways - Piedmont	6,203	5,974	6,347	43,960	42,410	3.8%	#DIV/0!	-2.3%	3.7%
US Airways - Air Wisconsin	-	-	-	-	-		#DIV/0!	#DIV/0!	#DIV/0!
US Airways - PSA	148	-	-	148	1,696	#DIV/0!	#DIV/0!	-91.3%	-91.3%
Charter	-	-	-	-	-		#DIV/0!	#DIV/0!	#DIV/0!
TOTAL DEPLANED	6,351	5,974	6,347	44,108	44,106	6.3%		0.1%	0.0%
TOTAL AIRLINE PASSENGERS	12,744	12,103	12,682	88,161	87,492	5.3%		0.5%	0.8%
AIRLINE FLIGHTS									
NUMBER OF DAILY SCHEDULED DEPARTURES									
US Airways - Piedmont	6	6	6			0.0%	#DIV/0!	0.0%	#####
US Airways - Air Wisconsin	0	0	0			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
US Airways - PSA	0	0	0			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Daily Scheduled Departures	6	6	6			0.0%		0.0%	
NUMBER OF CANCELLED DEPARTURES									
US Airways - Piedmont	3	10	9	72	48	-70.0%	#DIV/0!	-66.7%	50.0%
US Airways - Air Wisconsin	0	0	0	-	-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
US Airways - PSA	0	0	0	-	2	#DIV/0!	#DIV/0!	#DIV/0!	-100.0%
Charter	0	0	0	-	-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Cancelled Departures	3	10	9	72	50	-70.0%		-66.7%	44.0%
NUMBER OF ACTUAL DEPARTURES									
US Airways - Piedmont	176	169	163	1,159	1,066	4.1%	#DIV/0!	8.0%	8.7%
US Airways - Air Wisconsin	0	0	0	-	-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
US Airways - PSA	0	0	0	-	39	#DIV/0!	#DIV/0!	#DIV/0!	-100.0%
Charter	0	0	0						
TOTAL ACTUAL DEPARTURES	176	169	163	1,159	1,105	4.1%		8.0%	4.9%
AIRCRAFT OPERATIONS									
(Landings and Takeoffs)									
COMMERCIAL AIRLINE	468	435	492	3,312	3,168	7.6%	7.6%	-4.9%	4.5%
GENERAL AVIATION	9,902	8,658	7,645	63,974	54,495	14.4%	14.4%	29.5%	17.4%
MILITARY	128	93	130	612	821	37.6%	37.6%	-1.5%	-25.5%
TOTAL AIRCRAFT OPERATIONS	10,498	9,186	8,267	67,898	58,484	14.3%	14.3%	27.0%	16.1%



LYNCHBURG REGIONAL AIRPORT TRAFFIC STATISTICS FOR JULY 2016

JULY	PIEDMONT				AIR WISCONSIN				PSA				TOTALS			
	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor
Aircraft Type																
DHC-8-200	-	-												-		
DHC-8-300	161	7,728											161	7,728		
DHC-8	11	385											11	385		
CR7		-							2	126			2	126		
CR9		-			0	-			1	76	0		1	76		
Total	172	8,113	6,241	76.9%	-	-	-	#####	3	202	152	75.2%	175	8,315	6,393	76.9%

Year-to-Date	PIEDMONT				AIR WISCONSIN				PSA				TOTALS			
	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor	Departures	Available Seats	Passengers Enplaned	Load Factor
DHC-8-200	-	-												-		
DHC-8-300	1,127	56,350											1,127	56,350		
DHC-8	28	980							#REF!				28	980		
CR7									2	126			2	126		
CRJ(50 SEAT)	-	-			0	-			1	76	0		1	76		
Total	1,155	57,330	43,901	76.6%	-	-	-	#####	3	202	152	75.2%	1,158	57,532	44,053	76.6%